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Statement of the Connecticut Clean Energy Fund Regarding Raised Senate Bill 1129/1130
An Act Concerning Energy and the State's Economy

The Connecticut Clean Energy Fund (CCEF or Fund) supports RB 1129/1130's goal of providing funding for innovative energy efficiency and renewable energy technologies and systems that might currently not be receiving funding. This bill recognizes the many benefits of renewable energy and energy efficiency including being an engine for creating green energy jobs, lowering the cost of energy and producing environmental benefits including climate mitigation. The Energy Efficiency Partner (EEP) program is an aggressive commitment of the State to do more in these areas. The CCEF would be pleased to serve on the Energy Innovation Council to help implement this goal.

The CCEF has some concerns and questions about various provisions in the bill. This may be due, in part, to our difficulty in interpreting some of the language and may simply require clarification.

Essentially, the Fund is concerned that the Bill seems to reserve for the EDCs up to 50% of the total Program funding by allowing the EDCs to recover all of their non-grant investment in a project up to the $30 million level. If the Fund's interpretation is correct, then this creates a problematic situation in two ways. First, it puts on ratepayers the entire financial burden of all EDC projects in this Program by allowing the EDCs to use 100% ratepayer funds to finance their projects (50% upfront grant and recovery of the remaining 50%). Second, the other Program partners do not have this type of access to what is, effectively, guaranteed capital. Other Program partners must supply their non-grant 50% contribution through the private capital markets that have contracted significantly due to the prevailing economic conditions.

The CCEF is concerned that allowing the EDCs to compete for Program funds with the existing small businesses such as solar and other renewable and energy efficiency developers—those businesses that have been the state's pioneers in energy efficiency and renewable energy--will create a potentially non-competitive situation. For example, Connecticut's solar industry includes a number of small local companies and solar developers with an estimated 200 jobs. These companies took the risk to start up in a new market a few years ago when the CCEF introduced its solar and fuel cell programs. They have created a competitive marketplace and are poised for growth if sustained funding can be established. In addition, there are more electricians and others that are anxious to diversify their businesses into solar and other renewable areas. This growth and diversification is threatened if an EDC with its vast financial, marketing and personnel resources can compete directly for the same funding as the small renewable companies.

The Fund suggests three possible approaches to creating a level playing field for all Energy Efficiency partners; 1) the EDCs could be required to form competitive unregulated affiliates and to use those affiliates to participate in the Program under the same rules as all other EEPs; or 2) the cost-of-service cost recovery model could be made available to all third-party financiers and energy efficiency partners while at the same time eliminating the EDCs' SBC cost recovery provision or 3) the EDCs not be allowed to participate as EEPs in the customer sided or "behind the meter" projects which are typically small scale.

CCEF believes that there is a more appropriate role for the utilities to participate in the development of grid connected projects. Although small by utility standards, grid connected projects of 1 MW or larger require greater financing and the technical expertise of the utilities. For example, there may be renewable applications where the utilities could apply their unique knowledge to improve the grid in terms of grid constraints, reliability needs, and interconnection issues.

The Bill allows the EDCs to rate-base the cost of grid-connected renewable projects. This rate-based cost recovery approach could shift all renewable project risks and costs to the ratepayers, and could result in higher bills for ratepayers. While there is a 100 MW cap for facilities owned and operated by the EDCs, it is unclear from our reading of the bill, whether there is a dollar cap on the grid connected projects. Current prices for fuel cells and solar range from approximately $3,000/kW to $7,000/kW (the price Massachusetts just paid for a 6 MW solar installation) or $300 million to $700 million for 100 MW. Contrast this with projects under Project 150 where the bulk of the financing comes from the private sector and where the ratepayer is only exposed to financial risk when the project becomes operational.

As a solution, the CCEF recommends that the EDCs be required to form competitive unregulated affiliates if they desire to develop and own renewable generating projects. This way, the renewable project risks will be borne by the shareholders of the EDCs and not by the ratepayers. Alternatively, a pilot program could be developed whereby an EDC develops and operates a limited number of grid-connected Class I renewable energy generation projects. The EDC would be required to procure independent analysis and comparison of the ratepayer borne costs and cost benefits of EDC-owned and operated, rate based renewable generation with non-EDC owned and operated renewable generation. The Legislature and the Department of Public Utility Control would then have valuable information necessary for further action on this issue.

Additionally, CCEF is concerned about the Bill's proposal to allow the EDCs to use CCEF funds for Class I renewable energy generation projects. Given that the funding level for the Energy Efficiency Partners is $60 million dollars—double what the CCEF receives on an annual basis—the CCEF sees no need for the EDCs to access the limited funds available under CCEF programs. However, through the Council participation, CCEF can add its technical and project finance expertise to evaluate projects including competitive cost information.
CCEF believes that there could be a positive role for the EDCs in bringing renewables to scale. One area that has not been explored in this bill is a central role for the EDCs in financing projects. The EDCs and its shareholders could realize an excellent return and the renewable industry could receive much needed capital to continue to grow in a competitive environment.

CCEF would be pleased to work with the E&T and Commerce Committees to further the good work that has gone into the development of the Bill thus far.

Technical correction:
Section 1(h)(2), line 166-167, page 6, refers to "the director of the Renewable Energy Investments Fund". This should read "the president of the Renewable Energy Investments Fund".